



January 31, 2022

The Honorable Glenn Youngkin
Governor
Commonwealth of Virginia
Patrick Henry Building, 3rd floor
1111 E. Broad Street
Richmond, VA 23219

Re: December 2021 Lottery Results

Dear Governor Youngkin:

I am pleased to provide our report of monthly activities and financial update for the month of December 2021, as required in §58.1-4006 of the *Code of Virginia*.

December sales totaled \$341.7 million, up \$66.2 million (24.0%) compared to the same month last year. December profits of \$74.9 million were \$3.8 million (5.4%) higher than December 2020. Higher sales and profits are the result of efforts to strengthen our retail sales program at more than 5,200 licensed retailer locations across Virginia, as well as the continued success of our online iLottery platform. Compared to the revised forecast included in HB29 and SB29, the introduced budget, sales are \$9.5 million (0.5%) higher and profits are \$23.6 million (6.0%) ahead of the forecast, primarily due to lower-than-expected prize expenses.

Through the end of December, the Lottery has made debt setoff collection payments to the Department of Taxation totaling more than \$2.7 million this fiscal year. Unclaimed prizes totaling nearly \$6.0 million have been transferred to the Literary Fund during the current fiscal year.

While sales and profits have been trending well against the forecast, the impacts of the January weather disruptions will reduce the surplus profits earned in the first half of the fiscal year. We continually monitor activities to ensure that goals are firmly in sight, making adjustments as needed to ensure our transfers to the Lottery Proceeds Fund in support of K-12 public education are reliable.

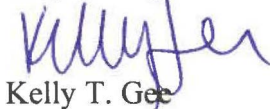
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Separately, we recently welcomed our newest Board member to the Virginia Lottery Board – Mr. John Powell of Roanoke, Virginia.

Please let me know if you have any questions, or if you would like more information.

Respectfully,



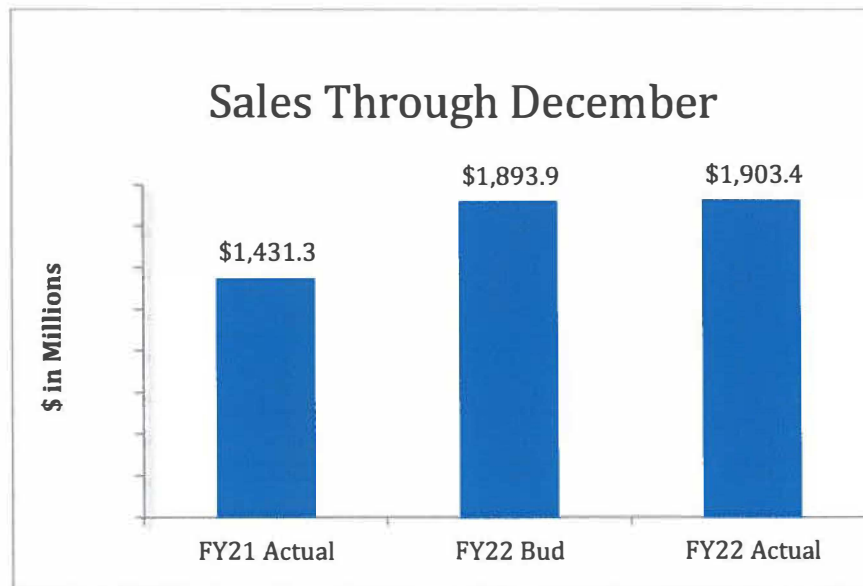
Kelly T. Gee

- c: The Honorable Janet D. Howell, Chairwoman, Senate Finance & Appropriations Committee
- The Honorable Barry D. Knight, Chairman, House Appropriations Committee
- The Honorable Roxann L. Robinson, Chairwoman, House Finance Committee
- The Honorable Jeff Goettman, Chief of Staff, Office of the Governor
- The Honorable Stephen E. Cummings, Secretary of Finance
- Jon Howe, Acting Director, Department of Planning & Budget
- David A. Von Moll, State Comptroller
- April Kees, Director, Senate Finance & Appropriations Committee
- Anne E. Oman, Staff Director, House Appropriations Committee
- Ferhan Hamid, Chairman, Virginia Lottery Board

VIRGINIA LOTTERY
Report to the Governor and
Selected Members of
the General Assembly
As of December 31, 2021

Sales

Lottery sales for the fiscal year totaled \$1,903.4 million through December. This represents an increase of \$472.1 million (33.0%) compared to the prior year and \$9.5 million (0.5%) higher than forecast. Scratcher sales of \$724.7 million were \$112.0 million (18.3%) higher than last year and \$4.8 million (-0.7%) lower than the forecast. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$392.5 million, a decrease of \$5.7 million (-1.4%) from last year and 5.4 million (-1.4%) lower than forecast. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$140.5 million, an increase of \$36.2 million (34.7%) compared to last year and \$2.4 million (1.7%) higher than forecast. Sales of Print n' Play, KENO and iLottery Instants games totaled \$645.8 million, \$329.6 million (104.3%) higher than last year and \$17.3 million (2.8%) ahead of forecast.



Expenses

The overall prize expense rate (prizes as a percent of sales) for the year to date was 70.3%, higher than last year's rate of 66.6% but lower than the forecasted rate of 70.8%. The increase in the prize expense rate is attributable to the higher percentage of total sales from iLottery games, which are designed to have higher prize payout rates. The scratcher prize rate of 71.5% was higher than last year's rate of 70.6%, and equal to the forecast rate, as players continue to choose higher price tickets with higher prize payout rates. The daily games prize rate of 47.5% was lower than last year's rate of 49.7% and lower than the forecasted rate of 51.2%. It is

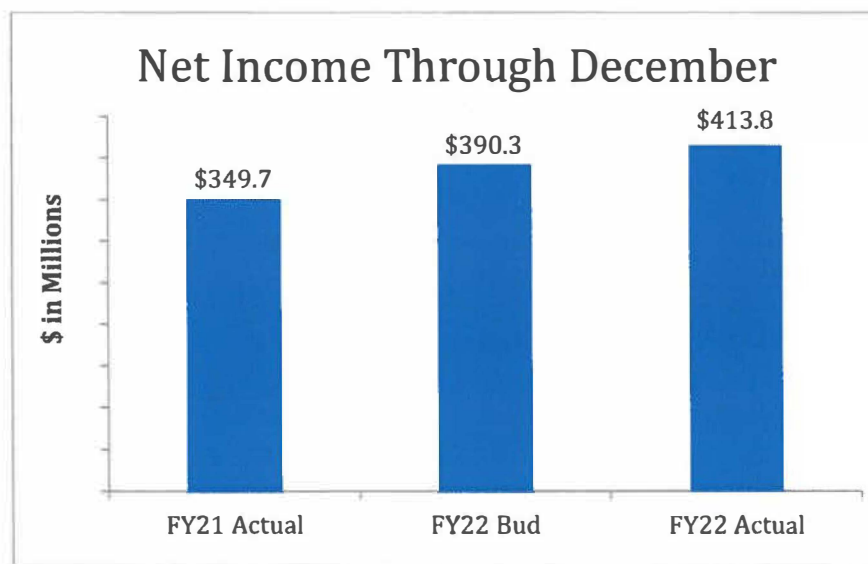
important to note that significant fluctuations in prize expense rates occur during the short term, especially for games that have fixed prizes; however, overall long-term prize rates reflect outcomes more in line with statistical expectations.

With higher sales, and key incentive programs in place to support retailer sales and earnings, retailers earned almost \$8.8 million or nearly 14% more in commissions and incentives than last year, for a total \$73.4 million in earnings.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were 4.2% of sales, slightly lower than last year's 4.5% rate and lower than the forecasted rate of 4.6%.

Net Income

Strong sales in both retail products and iLottery Instants led to profits of \$413.8 million, an increase of \$64.1 million (18.3%) compared to last year and \$23.6 million (6.0%) ahead of our forecast year to date.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

Through the end of December, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$2,702,356. Also, unclaimed prizes totaling \$5,989,061 were transferred to the Literary Fund through December this year.

MEETINGS

The next meeting of the Board will be on April 27, 2022, in Richmond.